

111TH CONGRESS  
1ST SESSION

# H. R. 2936

To create a program to guarantee loans made to manufacturing companies in order to promote increased domestic lending to the United States manufacturing industry.

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## IN THE HOUSE OF REPRESENTATIVES

JUNE 18, 2009

Mr. LIPINSKI (for himself, Mr. TIM MURPHY of Pennsylvania, Mr. TONKO, Mr. EHLERS, Mr. DINGELL, Ms. KAPTUR, Mr. COSTELLO, and Mr. MANZULLO) introduced the following bill; which was referred to the Committee on Financial Services

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## A BILL

To create a program to guarantee loans made to manufacturing companies in order to promote increased domestic lending to the United States manufacturing industry.

1       *Be it enacted by the Senate and House of Representa-*  
2       *tives of the United States of America in Congress assembled,*

3       **SECTION 1. SHORT TITLE.**

4       This Act may be cited as the “Bill to Underwrite In-  
5       creased Lending to Domestic (BUILD) Manufacturing  
6       Act” or the “BUILD Manufacturing Act”.

7       **SEC. 2. DEFINITIONS.**

8       For purposes of this Act:

1           (1) MANUFACTURING COMPANY.—The term  
2           “manufacturing company” means a company en-  
3           gaged in the mechanical, physical, or chemical trans-  
4           formation or production of materials, substances, or  
5           components into new products.

6           (2) TALF.—The term “TALF” means the  
7           Term Asset-Backed Securities Loan Facility estab-  
8           lished by the Board of Governors of the Federal Re-  
9           serve System and announced on March 3, 2009.

10 **SEC. 3. FINDINGS.**

11       The Congress finds the following:

12           (1) Manufacturing is a crucial component of the  
13           United States economy, creating wealth through the  
14           value-added production of quality goods.

15           (2) Manufacturing employed 13.5 million Amer-  
16           icans in 2008.

17           (3) The manufacturing sector comprises 13.6  
18           percent of the United States national GDP, totaling  
19           \$1.6 trillion in value as of 2007, and generates ap-  
20           proximately two-thirds of the Nation’s exports.

21           (4) Domestic manufacturing is vital to our Na-  
22           tion’s national security, is a source of long-term  
23           strategic advantage, and ensures a reliable and dedi-  
24           cated source of production for essential materials  
25           and goods.

1           (5) The current economic crisis has had par-  
2           ticularly negative effects on the manufacturing sec-  
3           tor, leading to sharp reductions in employment, out-  
4           put, and factory operating rates.

5           (6) Continued reductions in the domestic manu-  
6           facturing sector would result in increased depend-  
7           ence on foreign factories, greater job loss, and de-  
8           clines in long-term competitiveness of the United  
9           States economy.

10          (7) The recovery and expansion of the United  
11          States manufacturing sector is being hampered by  
12          an absence of affordable and available credit, caused  
13          by the financial sector and subprime crisis.

14          (8) While the United States Treasury has made  
15          available significant financial resources for recovery  
16          of the United States financial sector, lending to com-  
17          mercial and private entities has not followed suit.

18          (9) Available and affordable credit will be cru-  
19          cial to the recovery of the manufacturing sector, en-  
20          abling renewed capital and asset purchases, facility  
21          expansions, investment in new product lines, and in-  
22          creased hiring and employment.

1 **SEC. 4. SENSE OF THE CONGRESS ON LENDING TO THE DO-**  
 2 **MESTIC MANUFACTURING SECTOR.**

3 It is the sense of the Congress that the President,  
 4 acting through the Secretary of the Treasury, should use  
 5 all available powers to encourage financial institutions  
 6 that are in receipt of Federal financial support to imme-  
 7 diately increase lending to the domestic manufacturing  
 8 sector.

9 **SEC. 5. MANUFACTURING LOAN GUARANTEE PROGRAM.**

10 (a) ESTABLISHMENT.—

11 (1) IN GENERAL.—There is hereby established  
 12 within the Department of the Treasury a program to  
 13 be known as the “Manufacturing Loan Guarantee  
 14 Program” (hereinafter referred to in this section as  
 15 the “Program”).

16 (2) HEAD OF THE PROGRAM.—The Program  
 17 shall be headed by the Administrator of the TALF  
 18 (hereinafter referred to in this section as the “Ad-  
 19 ministrator”).

20 (b) LOAN GUARANTEE PROGRAM.—

21 (1) PURPOSE.—The purpose of the Program  
 22 under this section is to guarantee loans made to  
 23 manufacturing companies.

24 (2) APPLICATION.—An insured depository insti-  
 25 tution (as such term is defined in section 3(c) of the  
 26 Federal Deposit Insurance Act (12 U.S.C. 1813(c)))

1 that wishes to make loans that are guaranteed under  
2 the Program may submit an application to take part  
3 in the Program to the Administrator in such form  
4 and manner and containing such information as the  
5 Administrator may require.

6 (3) SELECTION CRITERIA.—The Administrator  
7 shall approve any depository institution submitting a  
8 full and complete application under paragraph (2)  
9 for participation in the Program, and shall guar-  
10 antee loans on a first-come-first-served basis. In-  
11 sured depository institutions shall submit all loans  
12 made as part of the Program.

13 (4) OVERSIGHT.—

14 (A) LOAN TERMS.—Not later than 7 days  
15 after a loan guaranteed under the Program is  
16 originated, the insured depository institution  
17 making such loan shall submit all information  
18 about the terms and conditions of such loan to  
19 the Administrator.

20 (B) SUSPENSION AND TERMINATION AU-  
21 THORITY.—Notwithstanding paragraph (3), the  
22 Administrator shall, not less than yearly, review  
23 all of the loans made by each insured depository  
24 institution that are guaranteed under the Pro-  
25 gram, and may suspend or terminate any in-

1           sured depository institution's future participa-  
2           tion in the Program if the Administrator finds  
3           that such institution has engaged in fraud or  
4           abuse with respect to the Program, or has con-  
5           sistently made loans guaranteed under the Pro-  
6           gram that are not repaid by the borrower in ac-  
7           cordance with the terms of the loan.

8           (5) LOAN ELIGIBILITY.—A loan can only be  
9           guaranteed under the Program if it meets the fol-  
10          lowing requirements:

11                (A) NET WORTH LIMITATION ON LOAN  
12                AMOUNT.—The amount of such loan is less  
13                than 1.5 times the gross net worth of the man-  
14                ufacturing company receiving the loan.

15                (B) USE OF LOAN.—Such loan is only used  
16                for the purchase of capital, assets, energy effi-  
17                ciency upgrades, productivity enhancements, or  
18                building expenses, paying payroll expenses, or  
19                paying operating costs. Such loan is not used to  
20                pay down existing debt, pay outstanding obliga-  
21                tions, or to pay for an increase in salary  
22                amounts for executives of the manufacturing  
23                company receiving the loan.

24                (C) SPECIFIC TERM REQUIREMENTS.—The  
25                term of such loan is no more than—

1 (i) 30 years, in the case of a loan used  
2 to purchase real estate or to pay for build-  
3 ing expenses;

4 (ii) the lesser of 15 years or the useful  
5 life of the machinery or equipment, in the  
6 case of a loan used to purchase machinery  
7 or equipment; and

8 (iii) 5 years, in the case of any other  
9 loan.

10 (D) INTEREST RATES.—Notwithstanding  
11 the provisions of the constitution of any State  
12 or the laws of any State limiting the rate or  
13 amount of interest which may be charged,  
14 taken, received, or reserved, the maximum legal  
15 rate of interest on such loan shall not sub-  
16 stantively differ from the current average mar-  
17 ket yield on outstanding marketable obligations  
18 of similar privately held loans with remaining  
19 periods to maturity comparable to such loan.

20 (6) MULTIPLE GUARANTEES PERMITTED; AG-  
21 GREGATE DOLLAR AMOUNT LIMITATION.—A single  
22 manufacturing company is permitted to have more  
23 than one loan guaranteed under this section, but the  
24 aggregate amount of all such loans guaranteed for  
25 a single manufacturing company may be no more

1       than \$50,000,000. The Administrator shall have the  
2       discretion to raise such limit from \$50,000,000 to  
3       \$75,000,000 for a particular manufacturing com-  
4       pany if the Administrator determines doing so will  
5       advance the purpose of this section.

6               (7) GOVERNMENT GUARANTEE.—

7               (A) LEVEL OF PARTICIPATION.—Loans  
8       guaranteed under the Program shall be guaran-  
9       teed in the following percentages:

10              (i) for loans under \$10,000,000, 70  
11       percent;

12              (ii) for loans between \$10,000,000  
13       and \$30,000,000, 65 percent; and

14              (iii) for loans over \$30,000,000, 60  
15       percent.

16              (B) PERCENTAGE ADJUSTMENTS.—

17              (i) IN GENERAL.—The Administrator  
18       shall have the power to adjust loan guar-  
19       antee percentages for loans guaranteed  
20       under the Program in order to maximize  
21       lending and minimize default rates of par-  
22       ticipating manufacturers. Any such adjust-  
23       ments must further the goals of the Pro-  
24       gram.



1           (ii) TIMING OF ADJUSTMENTS.—Ad-  
2 justments under clause (i) may not be  
3 made before the date that is 3 months  
4 after the date of the enactment of this Act,  
5 and may not be made more often than  
6 every 3 months.

7           (iii) EQUAL ADJUSTMENTS RE-  
8 QUIRED.—Adjustments under clause (i)  
9 must adjust each percentage under sub-  
10 paragraphs (A)(i), (A)(ii), and (A)(iii) by  
11 the same amount.

12          (iv) MINIMUM LEVELS.—In making  
13 an adjustment under clause (i), the Admin-  
14 istrator shall seek to ensure that such ad-  
15 justment will result in the maintained in-  
16 terest of insured depository institutions in  
17 participating in the Program.

18          (C) PAYMENT OF ACCRUED INTEREST.—

19           (i) IN GENERAL.—Any insured deposi-  
20 tory institution making a claim for pay-  
21 ment on the guaranteed portion of a loan  
22 guaranteed under the Program shall be  
23 paid the accrued interest due on the loan  
24 from the earliest date of default to the  
25 date of payment of the claim at a rate not

1 to exceed the rate of interest on the loan  
2 on the date of default, minus one percent.

3 (ii) LOANS SOLD ON SECONDARY MAR-  
4 KET.—If a loan described in clause (i) is  
5 sold on the secondary market, the amount  
6 of interest paid to an insured depository  
7 institution described in that clause from  
8 the earliest date of default to the date of  
9 payment of the claim shall be no more  
10 than the agreed upon rate, minus one per-  
11 cent.

12 (8) REGULATIONS.—The Administrator shall  
13 promulgate any regulations needed to carry out this  
14 section.

15 (9) FUNDING.—

16 (A) IN GENERAL.—\$20,000,000,000 of the  
17 funds made available to the TALF, or any suc-  
18 cessor entity, shall be used to carry out the  
19 Program, of which \$10,000,000,000 shall be  
20 used to guarantee loans made to manufacturing  
21 companies employing less than 500 individuals.

22 (B) ADMINISTRATIVE COSTS.—Of the  
23 amount described in paragraph (A), not more  
24 than \$1,000,000 per year may be used to pay

1           for salaries and other administrative fees asso-  
2           ciated with carrying out the Program.

3           (c) SENSE OF THE CONGRESS ON SMALL BUSINESS  
4 PARTICIPATION.—It is the sense of the Congress that the  
5 Administrator should encourage insured depository insti-  
6 tutions taking part in the Program to focus on lending  
7 to small- and medium-sized manufacturers.

8           (d) REPORTS REQUIRED.—

9           (1) ADMINISTRATOR REPORTS.—Not later than  
10 180 days after the date of the enactment of this Act,  
11 and yearly thereafter, the Administrator shall sub-  
12 mit a report to the Congress, and make such report  
13 available on a website, detailing all loans guaranteed  
14 under the Program, the effect of such guarantees on  
15 the manufacturing industry of the United States,  
16 and the overall effectiveness of the Program.

17          (2) GAO REPORTS.—Notwithstanding section  
18 714(b) of title 31, United States Code, not later  
19 than 1 year after the date of the enactment of this  
20 Act, and yearly thereafter through the end of 2011,  
21 the Comptroller General of the United States shall  
22 transmit a report to the Congress detailing—

23           (A) the implementation of this section;

1           (B) any waste, fraud, abuse, or mis-  
2 management of funds discovered in the imple-  
3 mentation of this section;

4           (C) any insured depository institution that  
5 appears to have repeatedly made loans guaran-  
6 teed under the Program for which the bor-  
7 rowers on such loans were not able to make  
8 timely payments as required by the loan terms;

9           (D) recommendations to improve the im-  
10 plementation of this section;

11           (E) the impact of the provisions of this  
12 section on the economy of the United States,  
13 specifically focusing on the manufacturing sec-  
14 tor; and

15           (F) adjustments to the loan guarantee per-  
16 centages and their impact on domestic lending  
17 to the United States manufacturing industry.

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